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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 05/19/06

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ARTICLES:

- (1) Japan, US agree on resumption of US beef imports: Products to be on store shelves possibly in July after official decision next month

ASAHI (Top Play) (Full)
Evening, May 19, 2006

The government has decided to formally approve a plan in June to reopen its market to US beef. In the technical talks held between the Japanese and US governments on May 17-19, both sides reached a broad agreement today to start procedures to resume

beef trade. If everything goes smoothly, US beef will be back on the market in July, nearly six months after the second imposition of a ban on imports in January. Some skeptics, however, remain unconvinced about the safety of US meat export-procedures. Behind the broad agreement, despite such a circumstance, there apparently lies a political judgment, with an eye on the Japan-US summit set for June.

The government sees no major problem arising from the recent re-inspections by the US at domestic meat-processing plants. In response to the US side's acceptance of its requests, including prior inspections by Japanese experts at meat-processing plants and snap inspections by the US government at meat-processing facilities; Japan has judged that "a system to observe the requirements for Japan-bound beef has been arranged in the US."

The government plans to hold public hearings on safeguards with consumers across the nation for about three weeks. Once it obtains consumers' understanding, the government will approve the resumption of US beef imports.

The focus of discussions in the latest series of experts meetings was on how to prevent specified risk materials (SRM) that could transmit the disease to cows from being included in shipments.

The US government explained that the 35 meat-processing facilities with licenses to ship beef to Japan have prepared a manual on the removal of SRM and that their employees have been trained. The US thus stressed that the export requirements have been observed in the US.

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In Japan, the Agriculture, Forestry and Fisheries Ministry and the Foreign Ministry were positive about resuming US beef imports, while the Health, Labor and Welfare Ministry, the responsible government agency for safe control of meatpacking facilities, remained cautious and asked for detailed explanations from the US regarding technical and other issues. Because more time was spent than expected for explanations of the causes of the recent Beef Export Verification violations in Hong Kong and Taiwan, the talks were extended for another day.

US Deputy Agriculture Under Secretary Chuck Lambert, who headed the US delegation, gave a press conference after the end of the talks this morning and said: "Both sides have yet to reach a final agreement, but we have moved closer toward a resumption of imports. Resumption should be possible by the end of June."

(2) Yosano, Nakagawa confront Takenaka over cooperation on government spending cuts; Determined to cut local finances

SANKEI (Page 5) (Full)
May 19, 2006

The government and the Liberal Democratic Party (LDP) are pursuing full-fledged discussions on ways to cut government expenditures in the run-up to the compilation in June of basic policy guidelines on economic and fiscal management and structural reforms, which is going to be the last issuance of such guidelines by the Koizumi administration. LDP Policy Research Council Chairman Hidenao Nakagawa and State Minister for Financial, Economic, and Fiscal Policy are closely working together with the determination to cut the local finance system, on which Internal Affairs and Communications Minister has jurisdiction. Originally, Nakagawa had been in line with Takenaka over economic policy and in conflict with Yosano. However, the dynamics of the policy-setting process has changed.

In response to Prime Minister Junichiro Koizumi's order that the LDP should lead discussions on ways to cut expenditures, Nakagawa has called in officials in charge of fiscal affairs to the LDP headquarters almost daily and asked them to look into the possibility of ending state contribution to payouts of unemployment benefits under the public employment insurance

system.

Yosano, who is in charge of the government's Council on Economic and Fiscal Policy (CEFP), is visiting Nakagawa once a week. When Takenaka was in charge of compiling basic policy guidelines, the LDP and the CEFP were at odds, but the situation has now changed. They are now frequently cooperating with each other, as can be seen in the fact that Nakagawa and Yosano held a meeting and decided to cut public works expenditures by 3% over the next five years.

On May 11, Nakagawa, Yosano and Minister of Economy, Trade, and Industry Nikai met at the LDP headquarters and agreed to map out an outline of a strategy for economic growth, which would incorporate specific measures to raise economic growth. Commenting on cooperation between Nakagawa and Yosano beyond the spending cut issue, a government source explained: "Through mutual cooperation, Nakagawa can have his pet argument of aiming for high economic growth reflected in the government's policy, and Yosano can have the government jointly take the responsibility for pending cuts."

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Nakagawa has a close relationship with Chief Cabinet Secretary Shinzo Abe, and Yosano has been in step with Finance Minister Sadakazu Tanigaki over such issues as a consumption tax hike. Some have pointed out that because of such circumstances, their close working relationship could affect the upcoming LDP presidential election.

Nakagawa and Yosano are now increasingly focusing on the possibility of reforming the local finance system. Yosano cited the order of local spending items subject to cuts as follows: (1) personnel costs of the central and local governments; (2) public works spending; (3) local finances; (4) diplomatic, defense, cultural, education, and scientific expenditures. He said, "Local finances, including personnel costs, will become a key area in slashing government spending."

Nakagawa on May 17 met with former Education and Science Minister Takeo Kawamura and ordered him to look into the possibility of scrapping the Law for Securing Capable Educational Personnel, which give preferential treatment to teachers of public elementary and middle schools over other public servants in terms of salaries. If the law is completely scrapped, 200 billion yen, of which 60 billion yen is subsidized from government coffers, in local government expenditures can be cut.

Takenaka takes the position that expenditures for public works and social securities should be slashed first. However, Yosano pointed out that though Mr. Takenaka told Mr. Nakagawa that reform of the local finance system will not lead to tangible spending cuts, they would discuss specific targets in slashing government spending. The government and the ruling camp are scheduled to hold the first meeting of their consultative council to discuss spending cuts. A fierce debate between Nakagawa and Yosano on one hand and Takenaka on the other will likely take place.

(3) Post-Koizumi race: Researching Taro Aso (Part 3)

NIHON KEIZAI (Page 2) (Abridged slightly)
May 19, 2006

Taro Aso wept over drinks, asking others, "Was I too arrogant to open up to locals?" He ran in the 1983 Lower House election seeking his third consecutive term but was defeated by just 2,600 votes. The defeat was ascribable to his excessive dependence on organizations beginning with Aso Cement.

Strong sense of camaraderie

Assembled at Aso's home were three people, including Fukuoka Jisho Co. Chairman Kazuhiko Enomoto. He had worked hard with Aso

as members of the Japan Junior Chamber (JC). Aso and Enomoto have known each other for over 30 years.

Aso became president at age of 32. Many friends since then have become corporate executives like Enomoto. But they still call Aso "Taro-chan," who is now foreign minister. They have developed a strong sense of fellowship through the JC and business activities.

On February 4, a party was held at a Fukuoka hotel to "encourage

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Aso," bringing together some 300 local business leaders, including Kyushu Electric Power Co. President Machisada Kamata. Members frankly offered advice to Aso, saying, "If you want to become prime minister, you must not say too much," or, "You should keep calling a spade a spade."

The group for Aso Taro provides top corporate executives with chances to collect information. Meetings are usually organized by Nippon Steel Corp. Honorary Chairman Takashi Imai in the Kanto region, by Kansai Electric Power Co. Chairman Yoshihisa Akiyama in the Kansai region, and by Nishi-Nippon Railway Co. Advisor Reinosuke Oya in the Kyushu region. They meet approximately four times a year to exchange views.

Aso also places importance on the San Francisco Club, a Stanford University alumni association with some 20 members, including Nippon Paper Group Head Office Special Adviser Kiminori Saito and Koito Manufacturing Co. President Takashi Otake.

Aso was a serious student while studying at Stanford, according to an alumnus. He can engage in simple conversation with a foreign guest in English with ease. US Ambassador to Japan Thomas Schieffer plays golf with him. He has many friends in the US Congress as well.

"Knows a lot of people but not well"

Aso's sister, Yukiko, described her brother's association with people this way: "He knows a lot of people but does not know any of them well." Aso's friend said, "Although he doesn't mean to make enemies, his unnecessary words could turn people away occasionally."

In Nagatacho, views on Aso are split. Aso is a member of Shishino-kai, which also includes Masahiko Komura, Makoto Koga, and Takeo Hiranuma. A lawmaker on friendly terms with Aso said, "No lawmaker really hates Mr. Aso. At the same time, there aren't many who would follow him, risking everything."

Former Prime Minister Zenko Suzuki was the father of his wife, Chikako. Aso joined Kochi-kai when he was a member of the Suzuki faction and became a close advisor to Yohei Kono, who joined the group later on. Kono was forced to give up his candidacy for the 1995 LDP presidential race as Koichi Kato and others prepared to field Ryutaro Hashimoto. Because of this experience, Aso has mixed feelings toward Kato and others.

He has been a favorite with elders since he was a young business manager. His relationships with former Prime Minister Yoshiro Mori, LDP Upper House Caucus Chairman Mikio Aoki, and other senior members are not bad. Prior to the 2003 LDP presidential election, in which Prime Minister Junichiro Koizumi won his second term, Aoki, who was backing Koizumi, said to Aso on the golf course, "You should run in the race after this one."

Aoki has yet to announce his support for anyone. Aso takes the view that he can win up to 30% of the people over to his side but that 30% will never follow him, meaning that question is whether he can win half of the remaining 40% of the people. Specifically how is he going to win 30% of the people to his side? He must rework his strategy.

Aso's main personal ties

Political community

(Former Japan Junior Chamber presidents)
Yoshitada Konoike, former state minister in charge of
disaster prevention
n
Masaji Matsuyama, Upper House member

(Relatives)
Shunichi Suzuki, former environment minister
Keizo Takemi, Upper House member

(Former Kono faction)
Katsuhito Asano, Upper House member
Jun Matsumoto, former Diet Committee vice chairman

Business community

Keiichi Konaga, adviser, AOC Holdings. Inc.
Reinosuke Oya, adviser, Nishi-Nippon Railway Co.
Takashi Imai, honorary chairman, Nippon Steel Corp.
Yoshihisa Akiyama, chairman, Kansai Electric Power Co.

Sports, culture

Tsunekazu Takeda, president, Japan Olympic Committee

SIPDIS
Saburo Kawabuchi, president, Japan Football Association
Koichiro Noda (penname Masahiro Noda), science fiction
writer

(4) Futenma alternative: Construction plan to be out by October

RYUKYU SHIMPO (Page 1) (Full)
May 19, 2006

The Defense Agency is now drafting a plan to be adopted in a cabinet meeting for the realignment of US forces in Japan. According to its outline revealed yesterday, the plan will map rday, the plan will map out the US military's realignment on the whole. In addition, the Defense Agency will also create a blueprint for the relocation of Futenma airfield. The plan will specify where to build the Futenma alternative, and the agency will work out a construction plan by October, according to the revealed outline. The government will set up a new consultative body to discuss economic stimulus packages for local communities hosting the Futenma alternative, and the government will work out its policy by December. The government is now coordinating with Okinawa Prefecture and Nago City on wording. The Defense Agency wants the plan to be adopted in a cabinet meeting on May 23. However, local communities are also expected to oppose the plan. For this reason, the Okinawa prefectural government stresses that it cannot accept the government's making of a cabinet decision on the plan before the upcoming Pacific Islands Forum (PIF) event, which will open its session (in Okinawa) on May 26. The Okinawa prefectural government is calling for the government to forego the cabinet decision.

The Defense Agency says the government needs to legislate measures in order for the government to implement the US military realignment plan. In consideration of the current Diet session, the Defense Agency is aiming to have the plan adopted

in a cabinet meeting on May 23. Japan and the United States have now agreed to lay down a V-shaped pair of airstrips in a coastal area of Camp Schwab in the city of Nago. However, the Okinawa prefectural government is opposed to this newly planned coastal runway construction and is calling for the government to build a temporary helipad. The Okinawa prefectural government's position

is that it cannot accept a cabinet decision that is premised on the government's coastal plan. As it stands, Tokyo and Okinawa are facing rough going in their coordination.

The draft plan shown by the Defense Agency at this point has no description of the V-shaped airstrips. However, it specifies laying down the alternative facility in a shore area across the cape of Henoko, stretching out to Oura Bay and Henoko Bay at its both ends. The Okinawa prefectural government is opposed to specifying the construction site premised on the government's plan to build V-shaped airstrips in a coastal area. Okinawa is calling for Tokyo to cross out this coastal relocation and consider installing a temporary helipad.

In addition to specifying the planned construction site, the draft plan also says the government will work out the construction plan by October. The Nago city government has indicated that it would like to talk about this construction plan in a new consultative body like the previous ones that existed to discuss the alternative facility and the construction plan.

However, the government thinks that it will take too much time to consult like before. Instead, the government prefers to hold working-level consultations at first. In the end, the government would like to finalize the plan after cabinet ministers, governors, and municipal heads meet once or twice.

The draft plans also says the government will set up a new consultative body to talk about economic stimulus measures for base-hosting localities, aiming to work out such pump-priming measures. The draft plan does not specify when to set up this new consultative body. However, the government would like to set it up after making a cabinet decision on the realignment plan.

(5) Yokosuka on the front of missile defense, Aegis deployment at high pitch

ASAHI (Page 15) (Full)
May 17, 2006

The US Navy's Yokosuka base in the harbor city of Yokosuka, Kanagawa Prefecture, is known as an aircraft carrier's homeport. Over the past couple of years, however, the Yokosuka base has been a frontline outpost for missile defense-or MD for short. In the meantime, the US Navy is deploying MD-capable Aegis ships to Yokosuka at a high pitch.

Forefront bastion

The US Navy will deploy an Aegis-equipped ship to Yokosuka in August this year, and all eyes are focused on it. The US Aegis ship is a cruiser named "Shiloh." In appearance, the USS Shiloh looks like other Aegis ships of the conventional type. However, the cruiser can be loaded with SM-3 sea-based missiles. The United States boasts of its military power as No. 1 in the world. Even so, the US Navy still has only three SM-3 Aegis

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vessels.

The SM-3 is capable of shooting down intermediate-range missiles like North Korea's Nodong missiles. In November last year, the US Navy conducted an MD test in waters off Hawaii. In that test, a ballistic missile mockup was launched, and an Aegis ship of the US Navy successfully shot down a warhead when it was off the projectile in midcourse phase at an altitude of about 160 kilometers in outer space.

The MD test was conducted in a scenario to shoot down intermediate-range missiles launched from North Korea at Japan-and to intercept those launched from China at Taiwan or other targets.

The Yokosuka base, which is the only outpost overseas for the US Navy's deployment of aircraft carriers, is a critical

strongpoint. In 1973, the USS Midway was first deployed to Yokosuka. The USS Kitty Hawk, currently homeported at Yokosuka, is the third-deployed flattop. The Kitty Hawk participated in the 2001 Afghan air campaign and the 2003 Iraq war.

The US Navy has already decided to replace the Kitty Hawk in 2008 with the USS George Washington, a nuclear-powered aircraft carrier currently homeported at Norfolk, Virginia, on the US East Coast.

In September 2004, the Yokosuka base was tasked with an additional role as an MD strongpoint. The Bush administration of the United States is aiming to shield the United States with an MD network at an early stage. Under its strategy, Yokosuka-based US Aegis vessels are now watching out in the Sea of Japan. The US Navy—as is evident from its declassified logs—has also set up operational zones around the island of Okushiri, which is situated off Japan's northernmost main island of Hokkaido.

The US Navy currently deploys a total of 11 vessels to Yokosuka, and there has been no change in this number. However, there has been progress in the replacement of conventional-type vessels with state-of-the-art ones. The Yokosuka base had only four MD-capable Aegis ships. With the Shiloh's deployment, however, the Yokosuka base will have a further enhanced lineup of eight MD-capable Aegis ships. The Yokosuka base has been only tasked with the role of watching out for ballistic missiles and tracking their paths if and when launched. However, the base will now be fully operational as a key shield that constitutes an MD network, including the task of shooting down ballistic missiles.

The US Pacific Fleet plans to mount SM-3 missiles on all its Aegis vessels in the future. The Yokosuka base is expected to further reinforce its functionality as a forefront bastion for MD readiness.

Integration

The Defense Agency welcomes the Shiloh's deployment to Yokosuka. "It's very welcome," said an official of the Defense Policy Division.

In 2003, Japan made a cabinet decision to introduce an MD system. In the current fiscal year, Japan will set about developing intercept missile technologies. The Maritime Self-Defense Force will also complete its initial SM-3 mounting

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renovation of Aegis ships in fiscal 2007 and will have a total lineup of four SM-3 Aegis ships on stage by the end of fiscal 2010.

"I know US Aegis ships are on patrol around Japan for MD," said an MD official of the Defense Agency. "But," the official added, "they have no missile intercept capability." This official recounted: "When the Shiloh is deployed over here, it's possible to make up for time with the US Navy's missile intercept capability until Japan builds its own MD system. Moreover, after Japan completes its own system, it will be possible to carry out multiplex coverage with US Aegis ships on stage."

In June this year, the US Navy plans to carry out an SM-3 test off Hawaii. The Kirishima, an Aegis ship deployed to the MSDF's Yokosuka base, will participate in this test. Japan and the United States will go ahead with their MD integration.

"The United States is pushing for its MD initiative," said Hiromichi Umabayashi, representative of Peace Depot, a nonprofit organization looking into facts about US military activities under the United States' freedom of information law. "They can account for MD and its necessity to the American people—that's just because there are factors like North Korea and China," Umabayashi noted. He went on: "They have bases in Japan, and they cannot make any MD scenario without Japan's cooperation. Japan will be involved even more deeply in the United States' military strategy."

Interview with US Pacific Fleet Commander Gary Roughead: MSDF presence a plus, high-performance fleet a deterrent

The Asahi Shimbun interviewed Adm. Gary Roughead, commander of the US Navy Pacific Fleet, which is headquartered in Hawaii and commands the 7th Fleet based at Yokosuka.

-- What's the Yokosuka base for the US Navy?

Adm. Roughead: Our forward deployment of an aircraft carrier to Yokosuka contributes greatly to security in the region with the capability of responding immediately to any emergency. We're working together with the MSDF, and our partnership is also a plus. There's no other place but Yokosuka where we can see both the US Navy and the MSDF in the same bay when we stand on the deck.

-- In February, the United States released a "Quadrennial Defense Review (QDR)" report, which lays emphasis on naval forces in the Pacific region.

Adm. Roughead: It's clear that Asian economies will go global in the future. Ensuring security and stability in the region will help not only countries in the region but also the United States become prosperous. If we ensure the sea lanes of communication, it's also possible to attain economic growth.

-- That's the United States' military strategy with China and North Korea in mind, isn't it?

Adm. Roughead: In the Pacific region, there are now more than 140 submarines other than ours. The number and performance of ballistic missiles are also increasing. We don't focus on any specific country, but we'd like to maintain our military

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advantage. That's why we think it's important to work together with Japan and push for ballistic missile defense.

-- Then, what's your analysis of the military capabilities of China and North Korea?

Adm. Roughead: People often ask if China is a threat, but we must consider two points. One is the capability of attacking another country, and the other is the intention of attacking another country. There is progress in China's military growth, but we can't see China's intention. It's important to explore what the People's Liberation Army is thinking about it. When it comes to the North Korea problem, we hope for a solution through dialogue. However, something unexpected could happen in the region, so it's important to keep tabs.

-- The US Navy is reinforcing the Aegis fleet deployed to the Yokosuka base.

Adm. Roughead: We deploy the most capable vessels to Yokosuka. Antisubmarine warfare and ballistic missile defense are our top-priority issues. In the future, our military capabilities in the West Pacific region would continue to increase. Our forward deployment of more capable vessels will be a deterrent. That's the best policy for security in the region.

-- The United States has decided to deploy one more aircraft carrier in the Pacific region in addition to the deployment of an aircraft carrier to the Yokosuka base.

Adm. Roughead: That's intended to demonstrate our rapid response and presence. We're planning to operate three aircraft carriers in the West Pacific this summer. But that's a result of streamlining our ship maintenance and training. We could not do so several years ago.

-- Is the Sasebo base (in Nagasaki Prefecture) likely to be another homeport?

Adm. Roughead: We're not thinking of homeporting any aircraft carrier at Sasebo. The port (of Yokosuka) will be very crowded, but if we can repair another aircraft carrier in Yokosuka, that's very plus.

-- The United States plans to deploy a nuclear-powered aircraft carrier to Yokosuka, but local communities are opposing it.

Adm. Roughead: Many people only see an aircraft carrier as a warship. But our nuclear-powered aircraft carrier played a central role with its rapid response to the tsunami disaster of Sumatra in 2004. A nuclear carrier can carry out various missions.

(6) LDP report on energy strategy, including nine measures

DENKI SHIMBUN (Top Play) (Full)
May 18, 2006

The Liberal Democratic Party's energy strategy panel, chaired by House of Representatives member Koji Omi, finalized an interim report on the nation's comprehensive energy strategy yesterday. The report calls for stabilizing the density of emitted carbon dioxide and ensuring energy security, given changes in the

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international energy situation, climate changes, and growing calls for energy security. To achieve these challenges, the interim report stresses the need for a strategy for technology development and dissemination, as well as a comprehensive diplomatic strategy for energy resources. The report includes nine specific recommendations, such as the formation of a resources-securing strategy and the boosted use of atomic energy. The Ministry of Economy, Trade and Industry (METI) has decided to draw up a report on a new national energy strategy by the end of this month. The ministry intends to reflect the LDP-proposed measures in the report.

The LDP report proposes these nine measures: (1) construct a strategy to secure energy resources; (2) boost the use of atomic power; (3) strengthen energy security and safety-ensuring policy; (4) adopt the principles of peaceful use of atomic power and of nonproliferation simultaneously; (5) respond to the post-Kyoto Protocol framework; (6) develop and disseminate energy-saving technologies; (7) utilize renewable energy resources; (8) use fossil fuels in a clean and effective way; and (9) promote the nuclear fuel cycle.

In the part of resources-securing strategy construction, the report suggests the need to nurture core oil and gas development companies, like Japanese majors, in addition to strengthening cooperative relations with resources suppliers in such areas as education, and medical, in addition to energy. The panel also calls for strengthening the functions of government-affiliated institutions, such as investment and debt guarantees by Japan Oil, Gas and Metal National Corporation (JOGMEC).

The LDP also aims to boost the utilization of nuclear energy; improve the safety operation of current light-water reactors and their operation rates; and promote research and development (R&D) related to fast-breeder reactors (FBR) and nuclear fusion. In the part of the nuclear fuel cycle, the LDP suggests that Japan should step up efforts to develop FBR as a national key technology and speed up the development process. The main ruling party stresses the need for allocating a budget to that end in the special account for power development. It also calls for close consultations between researchers and energy users in order to smoothly move the process forward from the R&D stage to the demonstration stage, and then to the practical-use stage. The report also suggests the need to promote R&D under international cooperation in a positive manner.

The protocol reactor Monju will resume operation in 2008. The government aims to put a demonstration reactor in practical use around 2025 and a commercial reactor in 2050. Regarding the final disposal of high-level waste, the report says that the

government should strengthen its cooperative role should be strengthened and tackle expanding the subsidy system for local communities housing power plants (worth 210 million yen) as an urgent task. In order to pursue the two principles of peaceful use of atomic power and nonproliferation simultaneously, the report proposes tightening the control of the Nuclear Supply Group's export management and promoting cooperation for the Global Nuclear Energy Partnership (GNEP) initiative.

In the area of the post-Kyoto Protocol framework, the report calls for including energy saving and nuclear power in the clean development mechanism. It also seeks that the G-8 summit in Japan in 2008 should be used as an area for multilateral

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cooperation to make dramatic progress. In addition, the report also includes specific recommendations regarding energy saving, renewable energy, and clean use of fossil fuels.

SCHIEFFER